

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|-------------------------------|---|-----------------|
| PURCHASED WATER ADJUSTMENT OF |) | |
| MUD CREEK WATER DISTRICT |) | CASE NO. 91-178 |

O R D E R

On June 5, 1991, Mud Creek Water District ("Mud Creek") filed its revised tariff sheet with the Public Service Commission ("Commission") for the purpose of adjusting its rates pursuant to the purchased water adjustment procedure, KRS 278.015 and 807 KAR 5:068. After consultation with the Commission Staff, Mud Creek refiled a corrected tariff sheet June 11, 1991. Also, refiled with the revised tariff sheet was a revised notice to its customers.

Mud Creek purchases its water supply from the city of Pikeville ("Pikeville") and received notice on May 30, 1991 that in accordance with the agreement between Pikeville and Mud Creek dated January 23, 1987, Pikeville would adjust the rate of payment for water delivered to Mud Creek effective July 1, 1991. The record is now complete.

The Commission, having reviewed the evidence of record and being sufficiently advised, finds that:

1. Effective July 1, 1991, Pikeville will increase its rate for water sold to Mud Creek from \$.85 per 1,000 gallons to \$.95 per 1,000 gallons. There will be no change in the monthly minimum of \$2,085.

2. Mud Creek proposes to increase the rates to its customers effective July 1, 1991.

3. Mud Creek purchased 77,748,000 gallons of water during the 12-month period ending April 30, 1991, and sold 44,923,000 gallons.

4. Mud Creek did not calculate its purchased water adjustment correctly pursuant to 807 KAR 5:068. Its calculation is incorrect in that it determined the adjustment factor directly from the amount of increase of the wholesale rate and did not consider volumes of purchases and sales.

5. The increase in the cost of purchased water is \$7,775, resulting in a purchased water adjustment of 17 cents per 1,000 gallons as shown in Appendix B.

6. The purchased water adjustment of 17 cents per 1,000 gallons and the rates in Appendix A, attached hereto and incorporated herein, are fair, just, and reasonable and should be approved.

7. The tariff sheet filed by Mud Creek June 11, 1991 is correct and should be approved as filed.

IT IS THEREFORE ORDERED that:

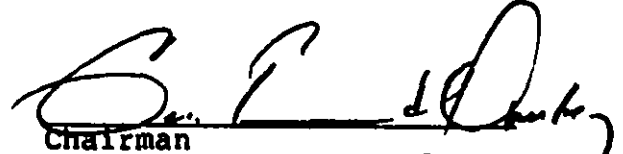
1. The purchased water adjustment in Appendix B and the rates in Appendix A are approved for services rendered on and after July 1, 1991.

2. The tariff sheet filed by Mud Creek June 11, 1991 is approved as filed.

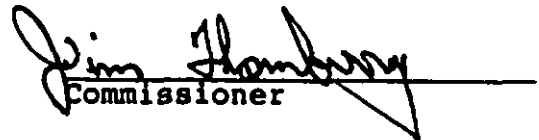
3. Within 20 days of the date the rates approved herein are placed in effect, Mud Creek shall file with the Commission verification that its customer notice has been given.

Done at Frankfort, Kentucky, this 21st day of June, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 91-178 DATED June 21, 1991.

The following rates and charges are prescribed for the customers in the area served by Mud Creek Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

| <u>Usage Blocks</u> | <u>Monthly Rates</u> |
|---------------------|------------------------|
| First 2,000 gallons | \$11.54 Minimum Bill |
| Over 2,000 gallons | 4.27 per 1,000 gallons |

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 91-178 DATED June 21, 1991.

Calculation of Purchased Water Adjustment

Gallons Purchased: 77,748,000 gallons
Gallons Sold: 44,923,000 gallons

Cost at Changed Rate:

| | | | |
|-----------------------|--------------|---|------------------|
| | \$2,085 x 12 | = | \$25,020.00 |
| 77,748,000 m. gallons | x \$.95 | = | <u>73,860.60</u> |
| | | | \$98,880.60 |

Less

Cost at Base Rate:

| | | | |
|-----------------------|--------------|---|------------------|
| | \$2,085 x 12 | = | \$25,020.00 |
| 77,748,000 m. gallons | x \$.85 | = | <u>66,085.80</u> |
| | | | \$91,105.80 |

Total Increase in Purchased Costs: \$7,774.80

\$7,774.80 + 44,923,000 m. gallons sold = \$.1731 or \$.17/1,000
gallons